

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 PM-07 NSC-10 SPC-03 SS-20 RSC-01 MC-02

L-03 SEC-03 CIAE-00 INR-10 NSAE-00 PRS-01 DODE-00

OMB-01 TRSE-00 EB-11 COME-00 DRC-01 /094 W

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R 191630Z DEC 73

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC 4366

LIMITED OFFICIAL USE SECTION 1 OF 2 SAN SALVADOR 4690

E.O. 11652 NA

TAGS: BBAK: MASS: ETRN: ES

SUBJ: PROPOSED HELICOPTER PLANT

REF: STATE 238592

1. SUMMARY: LARRY A CARR AND ASSOCIATES CALLED ON THE CHARGE DECEMBER 11 AND GAVE WHAT APPEARED TO BE THOROUGH BACKGROUND PRESENTATION ON THE DIFFERENCES BETWEEN THE OLD AND NEW PATTERSON CORP., STRESSING THAT HE AND HIS ASSOCIATES RECENTLY BOUGHT CONTROL OF PATTERSON FROM THOSE IN WHOM THE SEC MAY BE INTERESTED AND THAT THE LATTER, TO THE EXTENT THEY ARE STILL REPRESENTED, ARE ONLY MINORITY SHAREHOLDERS. CARR IS IN PROCESS OF DRAWING UP A SECOND OFFER TO INSAFI IN WHICH LATTER IS LENDER ONLY, WITH PATTERSON RETAINING 100 PERCENT CONTROL. INSAFI IS GRANTED A FOUR-YEAR OPTION TO PURCHASE 50 PERCENT OF THE OUTSTANDING STOCK IN "HELICOPTERAS S.A." CARR WAS UNAWARE OF ANY POSSIBLE MUNITIONS CONTROL CONSIDERATIONS AND IS RECHECKING THIS ASPECT. NEW PERSONALITIES ARE IMPROVING PATTERSON'S IMAGE WITH GOES AND IF THEY CAN REMOVE THE SEC CLOUD IT APPEARS THE PROJECT WILL RECEIVE INSAFI'S FAVORABLE CONSIDERATION FOR THE \$5 MILLION LOAN TO BE SOLICITED. PATTERSON IS IN THE PROCESS OF CHANGING ITS NAME AND ITS LIST OF PRESENT STOCKHOLDERS AND A NOVEMBER 30 BALANCE SHEET IS BEING MADE AVAILABLE TO INSAFI. THE EMBASSY APPRECIATES INFO PROVIDED IN REFTEL AND REQUESTS ADDITIONAL USG VIEWS OF BONAFIDS BASED UPON THIS MORE RECENT LIMITED OFFICIAL USE
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INFO WHICH MAY BE GIVEN INSAFI. END SUMMARY.

2. IN DECEMBER 11 CALL ON CHARGE LARRY A CARR, PRESIDENT OF PATTERSON CORP., WAS ACCOMPANIED BY "AL" PADILLA, VICE PRESIDENT

(AMCIT AND EXTRUCKING INDUSTRY EXECUTIVE) AND EMPLOYEE ING. EDGARD GUEVARA (SALVADORAN PRESIDENT OF BARKUS AND ASSOCIATES, A US FIRM WHICH IS CLOSING OUT HERE). CARR APOLOGIZED FOR PREVIOUS ACTIONS OF PATTERSON HERE WHICH MAY HAVE CAUSED THE EMBASSY CONCERN AND SPECIFICALLY FOR NOT HAVING MADE ITSELF KNOWN TO THE EMBASSY. HE PLEDGED CLOSE AND FRANK CONTACT WITH THE EMBASSY AND THEN PROCEEDED TO PROVIDE WHAT APPEARED TO BE A THOROUGH STATEMENT ON THE "OLD" PATTERSON CORP., HIS RECENT TAKEOVER OF THE FIRM, THE "HOUSE CLEANING" PROCESS, AND THE CURRENT STATUS OF THE PROPOSED SALVADORAN INVESTMENT. WHILE PROFESSING HIS DEEP CONCERN OVER IMPROPER PAST ACTIONS OF PATTERSON AND ITS STOCKHOLDERS HE STRESSED THAT THE SEC'S INVESTIGATIONS, AT LEAST TO HIS KNOWLEDGE, RELATE ONLY TO THE OLD PATTERSON CORP. HE CLARIFIED THAT WHILE PATTERSON SPOKE OF POSSESSING \$22 MILLION IN PARTS AND EQUIPMENT WHICH WOULD BE APPLIED TO THE LOCAL PROJECT, THESE ASSETS ARE ACTUALLY CARRIED ON HIS BOOKS AS A VALUE OF \$6.7 MILLION. HE SAID THE \$22 MILLION FIGURE REPRESENTS THE APPRAISAL VALUE BY THREE DIFFERENT APPRAISERS. HE SAID HE AND STOCKHOLDERS WHO HAVE GIVEN HIM THEIR PROXY VOTES HAVE 562,000 OF THE 1,007,517 SHARES, OR 55.8 PERCENT AS THE RESULT OF RECENT MERGER OF HIS OWN COMPANIES (E.G. MOBILE HOMES) AND THE "OLD" PATTERSON CORP.

3. CARR SAID HIS MOTIVATION FOR BUYING INTO PATTERSON WAS TO OBTAIN WORKING CAPITAL FOR HIS MOBILE HOMES COMPANY. TO HIS CHAGRIN HE DISCOVERED SERIOUS PROBLEMS INCLUDING NO WORKING CAPITAL, BUT DID FIND THE SINGULARLY ATTRACTIVE POTENTIAL OFFERED BY THE HELICOPTER PARTS. THE ALTERNATIVE LOCATION TO AN ASSEMBLY PLANT HERE WOULD BE ARIZONA, BUT COST FACTORS HERE, AS WELL AS SALES POTENTIAL TO CENTRAL AMERICA, MAKE EL SALVADOR MORE ATTRACTIVE. CARR TOLD THE CHARGE AND LOCAL CONTACTS HE IS PREPARED TO MAKE SALVADOR HIS PRINCIPAL OFFICE FOR PATTERSON (RETAINING ATLANTA FOR LEGAL PURPOSES), AND TO HAVE RESIDENCE HERE. AT HIS FIRST VISIT WITH INSAFI MANAGER ROEDER HE TOLD HIM HE PLANNED TO CANCEL THE EARLIER OFFER TO GO 50-50 AND WAS PLEASANTLY SURPRISED WHEN ROEDER WELCOMED THE IDEA, PREFERRING TO LIMIT INSAFI TO LENDER. CARR IS PRESENTLY DRAFTING NEW PROPOSAL TO INSAFI IN WHICH THE PROJECT IS OUTLINED MUCH AS BEFORE LIMITED OFFICIAL USE
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(COPY POUCHED) AND "COMMITMENT" FOR A TEN YEAR LOAN OF \$5 MILLION IS SOUGHT, OF WHICH \$1 MILLION IN CASH IS REQUESTED IMMEDIATELY (PRINCIPALLY FOR USE IN TRANSPORTING THE EQUIPMENT) AND THE SECOND MILLION WHEN THE MATERIAL ARRIVES HERE. THE BALANCE WOULD BE MADE AVAILABLE AS NEEDED FOR PLANT AND OPERATING CAPITAL; AND CARR PROMISED INSAFI A MINIMUM OF 80 PERCENT OF THE LOAN WOULD STAY IN EL SALVADOR (TO US HE SAID THE FIGURE WOULD MORE LIKELY BE 95 PERCENT). HE SAID THE IMPORTED EQUIPMENT REPRESENTS SOME 55 PERCENT OF NON-LABOR RAW MATERIAL INPUTS AND THE BALANCE COULD BE SUPPLIED LOCALLY.

4. UNDER AN ARRANGEMENT, GORDON COOPER IS TO HANDLE SALES AND WITH HIS "TEAM" HAS DEVELOPED A MARKET STUDY WHICH SUBSTANTIATES THE 200 HELICOPTER A YEAR SALES FORECAST. FURTHER, CARR SAYS COOPER HAS EXCELLENT FOREIGN CONTACTS FOR NON-CENTRAL AMERICAN SALES AND FOR EXTENDING PRODUCTION AND MAINTENANCE OPERATIONS INTO OTHER AERONAUTICAL ITEMS. IN RESPONSE TO OUR QUESTION CONCERNING THE FUTURE OF "HELICOPTEROS, S.A" AFTER THE CURRENTLY OWNED PARTS ARE USED, CARR SAID PATTERSON'S STAFF, CURRENTLY WAITING THE WORD TO COME TO EL SALVADOR TO BEGIN TRAINING PROGRAMS, ARE QUALIFIED TO MAINTAIN MOST TYPES OF AIRCRAFT ENGINES. FURTHER CARR SAYS THEY HAVE GOOD CONTACTS WITH HELICOPTER MANUFACTURERS AND HAVE FIRM PROSPECTS OF MANUFACTURERS LICENSES FOR SMALL CRAFT PRODUCTION. ADDITIONALLY, CARR DOES NOT PRECLUDE GETTING INTO ACTIVITIES IN CENTRAL AMERICA IN WHICH HE CLAIMS EXPERIENCE, SUCH AS A PRE-FAB HOMES AND RETIREMENT COMMUNITIES.

5. WITH LOCAL, WELL-RESPECTED LAWYER, DR. ULLOA CASTRO, CARR IS ESTABLISHING GOES AND FINANCIAL CONTACTS. TO HIS DISAPPOINTMENT, ONE CONTACT, THE BANCO CUSCATLAN (WITH WELLS FARGO RELATIONSHIP), DEVELOPED FROM WELLS FARGO BANK UNFAVORABLE INFORMATION THAT WELLS FARGO IS SUING PATTERSON FOR RECOVER OF \$50,000 FROM A LOAN GUARANTEED BY PATTERSON. CARR EVIDENCED SINCERE SURPRISE AND DISCLAIMED PRIOR KNOWLEDGE AND HAS SINCE LEARNED FROM HIS INVESTIGATION THAT THREE FORMER STOCKHOLDERS WERE INVOLVED, ONLY ONE OF WHOM USED PATTERSON'S NAME. HE EXPECTS, BY DECEMBER 18, COMMUNICATION FROM CALIFORNIA TO CLEAR THIS MATTER UP. HE HAS, IN ANY CASE, GUARANTEED INSAFI HE WILL SETTLE ANY LEGITIMATE DEBTS OF PATTERSON. SINCE INSAFI
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WILL REQUIRE THE GUARANTEE OF AN "INTERNATIONAL BANK" OF ANY LOAN IT MAKES, CARR PLANS TO ESTABLISH A RELATIONSHIP WITH FIRST NATIONAL CITY BANK HERE.

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OMB-01 TRSE-00 EB-11 COME-00 DRC-01 /094 W

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R 191630Z DEC 73

FM AMEMBASSY SAN SALVADOR
TO SECSTATE WASHDC 4367

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6. A POSSIBLE NEW PARTY HAS APPEARED ON THE SCENE WHO MAY BE IN A POSITIMN TO LEND THE \$5 MILLION TO PATTERSON, RUDOLPH KUNZLER, WHO IS IDENTIFIED WITH EUCOMAC (EUROPEAN COMMERCIAL MANAGEMENT TRUST) OF URSANNE, SWITZERLAND. TO DATE HE HAS NOT MENTIONED EQUITY PARTICIPATION TO CARR. CARR SAID EUCOMAC LOANED \$3 MILLION TO IGNACIO ARTINANO (IDENTIFIED SS 4478). SOULD THIS FINANCING SOURCE MATERIALIZE CARR PLANS TO REPAY ANY INSAFI LOAN.

7. LIC. ROEDER RECEIVED DECEMBER 13 A LETTER FROM SEC REGIONAL OFFICE LOS ANGELES DATED DECEMBER 5 WHICH ENCLOSED A COPY OF THE ANNOUNCEMENT OF SUSPENSION OF STOCK TRADING. THE LETTER, SIGNED BY MR. MICHAEL BERTS, REQUESTS FROM ROEDER INFORMATION WHICH ROEDER FEELS PLACES HIM IN THE ROLE OF AN SEC INVESTIGATOR. (IN THIS CONNECTION, THE EMBASSY WOULD APPRECIATE BEING GIVEN COURTESY COPIES OF COMMUNICATIONS FROM THE SEC TO GOES OFFICIALS.) CARR IS, OF COURSE, HOPEFUL THE SEC WILL QUICKLY DISTINGUISH BETWEEN THE PAST OWNERS AND MANAGEMENT OF PATTERSON FROM THE PRESENT AND TO THAT END HIS OFFICE IS WORKING CLOSELY WITH THE ATLANTA SEC OFFICE HEADED BY MR. JOHN KELLY. CARR SAYS THAT APART FROM THE STIGMA, HE IS GLAD THE SEC SUSPENDED TRADING.

8. LIC. ROEDER INFORMED THE EMBASSY HE IS PREPARED TO RECOMMEND FAVORABLE ACTION ON THE ANTICIPATED LOAN APPLICATION FROM PATTERSON IF HE IS SATISFIED CONCERNING THE ALLEGED DEBT TO
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WELLS FARGO AND THE BONA FIDES OF THE "RECONSTITUTED" PATTERSON CORP. AND ITS CHIEF OFFICERS, ESPECIALLY LARRY CARR. HE REALIZES THE EMBASSY CANNOT VOUCH FOR EITHER CARR OR PATTERSON BUT HE HOPES THE USG CAN PROVIDE SOMETHING CLOSE TO A "CLEAN BILL OF HEALTH" THE EMBASSY IS FAVORABLY IMPRESSED WITH CARR'S EFFORTS TO RESPOND FRANKLY TO OUR OWN AND INSAFI'S CONCERNS AND TO RECTIFY PREVIOUS SHORTCOMINGS (E.G. SETTLE ALL LOCAL BILLS OF EARLIER PATTERSON VISITORS SUCH AS \$6000 AT THE CAMINO REAL HOTEL, ACCOUNTS DUE A TRAVEL AGENCY, ETC.) CARR'S STATED INTENTION TO SETTLE HERE, ESTABLISH OFFICES, AND EXPAND INTO OTHER PRODUCTION LINES TENDS TO DIMINISH OUR CONCERNS ABOUT A "CONFIDENCE GAME". CARR HAS CALLED ON THE MINISTERS OF LABOR AND ECONOMY AND EXPLAINED HIS PROJECT.

9. IN AN ATTEMPT TO BETTER INFORM US AND SATISFY OUR CONCERNS, CARR HAS GIVEN THE EMBASSY MATERIAL RELATING TO PATTERSON, ITS SUBSIDIARIES (THOSE CARR USED IN HIS PURCHASE OF PATTERSON STOCK), THE LOCAL FEASIBILITY STUDY AND ORIGINAL PROPOSAL TO INSAFI, CORRESPONDENCE RELATING TO THE

EQUIPMENT AND ASSEMBLING COSTS, AND PERSONAL FINANCIAL AND BIOGRAPHIC INFORMATION. COPIES OF THESE DOCUMENTS WERE POUCHED DECEMBER 14 TO ARA/CEN/ES FOR APPROPRIATE USE.

10. ACTION REQUESTED: THAT APPROPRIATE AGENCIES EXAMINE THE NEW INFORMATION CONCERNING PATTERSON AND PROVIDE THE EMBASSY THEIR REACTION AS REGARDS THE BONA FIDES OF THE "NEW" CORPORATION, AND IF POSSIBLE. THOSE OF LARRY CARR.
MOSKOWITZ

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